



**DEPARTMENT OF
FINANCIAL
INSTITUTIONS**

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To: BUSINESS AND LABOR INTERIM COMMITTEE
From: Commissioner Ed Leary
Date: October 17, 2007

**Re: Fifth Report of the Department of Financial Institutions Pursuant to
70C-8-102 Consumer Credit Education**

**1. DEPARTMENT'S FINANCIAL SERVICES EDUCATION INITIATIVES
UPDATE**

Section 70C-8-102 of the Utah Code compels the Department to report biennially regarding the need for consumer education programs to promote prudent and beneficial use of credit by consumers and department efforts to promote the education of consumers with respect to credit practices and problems. The Department is also charged to coordinate with representatives of education, government, and financial services industry and assist in the preparation of a financial services education curriculum.

2. LEGISLATIVE ACTION

An omnibus education bill known as Senate Bill 154 sponsored by Sen. Hatch was passed during the 2003 legislative session. Included in that bill are provisions that originated with Rep. Hogue in another bill that requires instruction that stresses general financial literacy from basic budgeting to financial investments, including bankruptcy education in core curriculum beginning no later than with the graduating class of 2007. The Utah High School General Financial Literacy course for Grades 11-12 includes: Income, Money Management, Spending and Credit, Saving and Investing, Consumer Protection and Risk Management. The Department fully supports the requirement to increase financial literacy among high school students.

3. EMPLOYEE PRESENTATIONS

The Department commenced out-of-the-office consumer education presentations in 1997. The presentation is entitled "Tips to Avoid Frauds, Scams and High Cost Loans" and is conducted by financial institution examiners trained in consumer compliance and

mortgage issues. One of the examiners that conducts this training is one of two people that normally answers queries and questions in the office.

The following is a summary of the education presentations for the past ten years:

Year	Number of Presentations	Approximate Number of People
1997	16	531
1998	21	506
1999	94	2,456
2000	69	2,026
2001	98	2,836
2002	86	2,911
2003	67	2,089
2004	71	2,013
2005	62	1,930
2006	78	2,284
2007 (as of 8/31/07)	56	1,322

The vast majority of presentations have been to high school students. The presentations are conducted in a Power-Point slide program. Copies of the program are left with teachers for future use. The Power-Point slide program is also available on the Department's web site. High school groups of particular interest where programs have been conducted include, alternative high school programs, young parents and low-income parents, English as a second language, and classes which include "minorities." A number of senior citizen groups have also received the presentation.

A copy of the PowerPoint presentation will be left with Committee staff.

In the past, the Department has made an effort to reach out to Utah's Hispanic communities by making available its education presentation, "Tips to Avoid Frauds, Scams and High Cost Loans", in Spanish. During 2005 and 2006 two presentations have been made by a Spanish speaking examiner. In addition, that same examiner was interviewed on a Spanish speaking radio program in Salt Lake.

Beginning in June of 2006, the Department published a "Consumer Guide to Payday Lending in Utah." The brochure provides information about payday loans and consumers' rights and obligations under the law. The Department has provided copies to payday lenders in the state and asked them to place the brochure in their stores. The brochure is also available on the Department's web page found at www.dfi.utah.gov. The Department urges consumers who use payday loans to read the brochure to learn more about their rights and obligations under the law.

4. **ANSWERING CONSUMER QUESTIONS AND INQUIRIES**

The department has 1.5 FTE's devoted entirely to answering consumer questions, inquiries and resolving problems. Three staff support people also answer queries about whether individuals or companies are registered to engage in consumer lending or mortgage lending brokering or servicing in Utah. The number of calls received by the department ranges from about 30 per day to more than 60 per day. Department employees attempt to educate and advise as well as answer inquiries or questions.

The passage of HB 107 in 2000 changed registration of mortgage brokers and mortgage lenders to the real estate division. The Department retained registration of mortgage servicers. The split registration often results in confusion in public about which agency to call but we try to steer the public to the correct agency that may assist them.

5. **CONSUMER TIPS ON DEPARTMENT'S WEB PAGE**

The department opened a home page on the Internet in September 1998. One of the subjects presented within the home page is "Consumer Tips" where useful tips, alerts and pitfalls to avoid are identified and explained. The subjects addressed include: auto loans, mortgage loans, fraud alerts, accelerated payment programs, checking accounts - pitfalls to avoid, establishing credit, credit reports, co-maker, co-signer, or guarantor, credit cards, interest rates, debt-to-income ratios. It is difficult to determine the number of people who have viewed the consumer tips portion of our website. Our web site was visited **76,717** times during the last 12 months. From our most recent records it appears that our home page is visited an average of 6,000 times per month. Consumers may e-mail the department directly via a hot button on the web site with questions or comments. All comments are forwarded to the appropriate supervisor for an answer.

We have received numerous unsolicited favorable comments on the Consumer Tips and believe that many people with web access have consulted the pages.

A copy of Consumer Tips will be left with Committee staff.

6. **FINANCIAL INSTITUTIONS CONSUMER EDUCATION EFFORTS**

Jump\$tart Coalition for Personal Financial Literacy is a not-for-profit organization that promotes youth financial literacy. There are representatives on the Jump\$tart Board from both the Utah Bankers Association and the Utah League of Credit Unions. The Department also has a representative on the Board, currently serving as Treasurer.

Jump\$tart was organized in December 1995 because the founders had determined that the average student who graduates from high school lacks basic skills in the management of personal financial affairs. Many are unable to balance a checkbook and most simply have

no insight into the basic survival principles involved with earning, spending, saving and investing.

The Utah Coalition was formed in late 2000. The Coalition's direct objective is to encourage curriculum enrichment to insure that basic personal financial management skills are attained during the K-12 educational experience. The Coalition's 5th Annual Start Smart Teacher Summit will be held on November 2, 2007. The Summit will teach teachers how to teach vital money skills to students by easily incorporating it into the core curriculum. As mentioned above, because of legislation passed in 2003, high school students are now required to take .5 credit hours of core curriculum in financial literacy. The Summit will help provide training for teachers who will be teaching these courses.

Junior Achievement (JA) is a national organization with the goal of teaching kids about personal finance. JA offers teaching materials for children of all ages, from elementary school to high school. They seek to expose school children to topics such as supply and demand, credit cards and checking accounts, and various types of loans. Many financial services people are involved in using this program to teach kids in school. Nationally, JA uses volunteers, educators, parents, and contributors who reach out to more than four million students, each year, in grades K-12.

National Endowment for Financial Education (NEFE) is a nonprofit corporation offering a free basic financial planning curriculum, and Utah's education office encourages schools to use it where applicable. Many bankers and credit union employees participate in NEFE on a year-round basis. Utah Credit Union employees representing NEFE have gone to classrooms and taught children about personal finance.

The National Youth Involvement Board exists to generate enthusiasm and excitement for credit union youth marketing and education; and to develop leaders for the credit union movement." Many credit union professionals in Utah are a part of NYIB. In fact, Utah traditionally ranks high in the NYIB statistics when it comes to presentations made in classrooms. Additionally, Julia Pehrson of Hercules Credit Union is the regional coordinator for NYIB.

Teach Children to Save Day On April 24, 2007, the Utah Bankers Association assisted member banks in school visits on the 11th anniversary of Teach Children to Save Day. More than 360 bankers visited approximately 570 elementary school classrooms, delivering a crucial message to students statewide.

For years, the UBA has sent representatives of the banking community into classrooms to teach the course **"Your Bank and You."** The objectives of the program are to introduce high school students to banks and their services and to provide them with a basis for making sound financial decisions and to encourage financial responsibility. Components of the program include videos, worksheets, transparencies and checkbook kits, supplied free of charge to schools. The program is a one-week banking course endorsed by the Utah State Office of Education. The program uses "hands on" banking experience through writing and recording checks, reconciling a bank statement, figuring the cost of

credit and setting financial goals. Each year the program is presented to more than 5,000 students in approximately 50% of the schools utilizing more than 100 bankers as instructors.

Money in Motion helps bankers reach directly into classrooms to educate young people about managing their finances. Targeted to students in grades 7-12 and using reproducible handouts and problem-solving exercises, the materials cover a broad range of subjects.

Hands on Banking developed by Wells Fargo as a free public service, this innovative, entertaining program contains no commercial content. The curriculum is designed for self-paced, individual learning, as well as for classrooms and community groups.

Bank Jr. developed by Zions Bank as a web site just for kids. Kids learn all about money: where does it come from, why should I save, how do banks work and much more! Bank Jr. has been created primarily for children in grades one through eight, but it is also for "kids of all ages."

Bank High School Zions Bank has also developed a new web site just for high school students. The web site teaches valuable financial literacy skills: saving, budgeting, credit and investing.

7. **FEDERAL DEPOSIT INSURANCE CORPORATION EFFORTS**

The Federal Deposit Insurance Corporation (FDIC) has developed a financial education curriculum called **"Money Smart."** Since the start of the FDIC's financial education program in 2001, more than 600,000 people have taken a Money Smart class, most at a school, financial institution, non-profit organization, government agency or some other traditional setting. Thousands more have learned about finances by using our Computer-Based Instruction curriculum that enables people to study independently at their own pace. The FDIC is committed to working diligently to form alliances with other major entities, including financial institutions, bank trade associations, national non-profit organizations, community- and consumer-based groups, and federal, state and local agencies. They have made a commitment to enlist 1,000 members in the Money Smart Alliance, and deliver 100,000 copies of the Money Smart curricula in order to reach a total of 1 million adults throughout all 50 states. According to the FDIC's web site, the FDIC has formed alliance partners in Utah with The Pete Suazo Business Center and the American Express Center for Community Development.